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Mexico

Agricultural Situation

Trucking Retaliation Increases Tariff on Pet Food

2009

Approved by:
Garth Thorburn
ATO MEXICO

Prepared by:
Pia Cortes

Report Highlights:
On March 18, 2009, the Secretariat of Economy (SE) published an announcement in the Diario Oficial (Federal Register) modifying the import tariffs of 36 U.S. agricultural products. These modified tariffs are in retaliation over the dissolution of the U.S.-Mexico Cross-Border Trucking Demonstration Project. (See MX9010). Among the various agricultural products, the announcement stated that as of March 19, 2009, pet food imports from the United States would be subject to a 10 percent duty. The United States exported approximately $65 million in pet food to Mexico in 2008.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Mexico City ATO [MX2]
[MX]

MEXICO: TRUCKING RETALIATION PRODUCT U.S. EXPORTS TO MEXICO U.S. DOLLARS			
HS Code	Description	2008	New Tariff
2309.10.01	Pet Food	64,737,238	10%

Source: WTA U.S. Dept of Commerce, Bureau of Census

Post's Analysis: Mexico is the fourth largest market for U.S. pet food exports behind Canada, Japan and Australia. U.S. products dominate the imported pet food market in Mexico, accounting for more than 90 percent of the import market share. U.S pet food imports to Mexico have been on a downward trend. In 2008, sales dropped 11.9 percent below 2007's level, mostly because consumers are purchasing locally produced products due to their price advantage. The new increase in tariff is expected to have a significant impact on U.S. exports in 2009. Some forecasts are predicting as much as a 30 percent decrease from 2008's level.

Even though U.S. pet food products now face a 10 percent tariff disadvantage compared to Canadian products, imports of Canadian products are not expected to benefit significantly. Imports of Canadian, French, Brazilian and Argentinean products account for less than 10 percent of Mexico's import market share. The Mexican Most Favored Nation (MFN) tariff on HS code 2309.10.01 is 10 percent. According to Mexican importers, the tariff increase for U.S. pet food products, combined with the Mexican peso's devaluation, will drive U.S exports of pet food down to 30 percent, valued at approximately $19.4 million dollars.

Background: The Trucking Pilot Program (Mexico Cross-Border Trucking Demonstration Project) was an accommodation reached with Mexico after years of dispute regarding the delay to implement the NAFTA trucking obligations. It was set up in 2007 as a step towards implementation of the NAFTA trucking provision. It allowed up to 100 trucking firms from Mexico to transport international cargo beyond the commercial zones along the U.S.-Mexico border and up to 100 U.S. trucking firms to transport international cargo into Mexico. Bus companies and hazardous material carriers were excluded. The Trucking Pilot Program began on September 6, 2007, and was originally designed to run for one year. By an exchange of letters between the U.S. and Mexican Transportation Secretaries on August 4, 2008, the Trucking Pilot Program was extended up to an additional two years to ensure that it could produce sufficient data to evaluate its safety impact. In 2007, Mexico-domiciled motor carriers crossed into the U.S. approximately 4.8 million times, transporting an estimated $215 billion of freight.